



Growing Small Business Exports

Answers to Frequently Asked Questions

Where can I find more information on foreign markets and getting started in exporting?

The best place to start is www.export.gov. You will find information on individual countries, market research by industry sector, online training on the basics of exporting and other information on the U.S. Department of Commerce programs. If you are in the early stages of developing an export business, check with the Small Business Development Center in your area for training or seminars to further assist your export development plans. <http://asbdc-us.org>.

Where do I get a license to export?

There is no separate "export business license" required for you to begin exporting. Every company has the "right" to export or import (actually it's a "privilege," since it can be revoked by the U.S. government if you violate the rules). While some goods require an export license from the U.S. Department of Commerce Bureau of Industry and Security, the State Department or the Treasury Department, more than 85% of U.S. exports do not require one. Such licenses generally are only required for high technology goods and software with "dual use" capability (commercial and military), going to countries that are not considered to be our allies. For more information on products and technologies which might require a validated export license see Bureau of Industry and Security, <http://www.bis.doc.gov>.

How do I know if a foreign buyer is "for real?"

It's possible to order a credit bureau report on foreign buyers, just as you can for domestic customers. There are a number of sources, many of which you can access online, including Dun & Bradstreet International, Owens Online, Standards and Poor's, Graydon, Veritas, and others. In some countries, the Foreign Commercial Service prepares "International Company Profiles" that are detailed reports on foreign entities prepared upon the specific request of the U.S. exporter. Profiles (IPB) can be ordered from any U.S. Department of Commerce Trade Specialist.

Do I need to accept foreign currency when I sell abroad?

No, most U.S. exports are priced in U.S. dollars, especially those made by small businesses. That means that the buyer will absorb the foreign exchange risk and will need to convert his/her currency into U.S. dollars in order to pay you. But this way, you will avoid any risks associated with exchange rate fluctuations between the time of receiving the order and getting paid, getting paid in U.S. dollars. You may elect to accept foreign currency on some export sales. If so, work with the foreign exchange staff at your bank to lock in the exchange rate and avoid the exchange rate risk.

I've always required cash-in-advance for my international sales. Is it safe to consider other methods of payment?

If you're only quoting cash-in-advance payment terms, you are severely limiting your export sales potential. Customers are going to have to come up with the cash in advance of receiving of goods and trust you to ship the goods as promised. Three other methods of payments are used extensively in international transactions.

First, you can use documentary letters of credit. This, at least, will assure the buyer that funds will not be released until there is documentary evidence that you've shipped the goods as promised. And, as an exporter, you know that if you ship as agreed, you will be paid since the money is already in a bank, somewhere in the world obligated to pay you as soon as you meet the contract terms. Secondly, you can ship on a documentary collections basis which means the buyer will need to pay, or agree to pay you through his/her banker, before securing the documents required to pick up the goods. That allows the buyer additional time (the transportation time) to pay, while you maintain title to the goods until payment is received. Thirdly, you can ship on open account terms, which is increasingly what competitive conditions in many foreign markets are demanding.

I could close more export sales if I sold on open account terms, but I'm concerned I won't get paid and my bank won't lend against overseas accounts receivable. Is there anything I can do?

Yes. You can insure your overseas accounts receivable against political and commercial risk, moving the risk from an unknown buyer in a foreign country to either the U.S. government or a well-known insurer such as AIU, Continental Credit, Exporter Services, FCIA, Lloyds of London, etc. The Export-Import Bank of the United States (www.exim.gov) has an excellent Small Business Export Credit Insurance policy that can insure a small company's accounts receivable worldwide, often for less than ¾ of 1% – a tremendous bargain in order to obtain additional sales, to be able to borrow against the foreign receivables and to be able to sleep at night!

I have just received an export order, but my bank won't lend me money to produce the goods. What can I do?

Many companies experience an extended cash-to-cash cycle on their export transactions, creating a need for additional working capital. If payment on your export transaction is reliable (i.e., letter of credit, documentary collection, credit insurance or an open account sale to a well-qualified buyer) you may qualify for a government-guaranteed working capital line of credit from your local bank. EXIM Bank and the U.S. Small Business Administration (loans up to \$2 million) have very similar Export Working Capital guaranty loan programs. These programs guarantee 90% of a bank line of credit that can provide **100%** of the working capital needed to produce goods for export. To be eligible for an SBA loan your business must meet SBA size limits. For application and program details, contact the SBA Regional Manager of International Trade at your local Export Assistance Center (www.sba.gov/international) or a Business Development officer at the nearest Regional EXIM Bank Office (www.exim.gov).

My overseas buyer needs financing. How can SBA help?

If the buyer needs extended payment terms and up to six months is adequate, then the exporter can apply for a loan under the SBA Export Working Capital Program and give the buyer payment terms up to 180 days. But if the buyer needs a longer period of time, for example three to five years, then SBA would not have a finance program. Other options might be Forfait or the Foreign Buyer program of the Export-Import Bank of the United States which can finance the transaction so long as your buyer can provide a 15% down payment and the product that you are exporting has at least 85% U.S. content. This is a great deal for you, the small business exporter, since you get paid up-front and your buyer can obtain low U.S. interest rates from either their bank or a U.S. bank which receives a 100% guarantee from EXIM Bank!

My foreign buyer has requested a standby Letter of Credit for the full amount of the down payment. My bank requires dollar-to-dollar cash collateral before issuing a standby LC; this reduces the cash flow benefit of the down payment. What can I do?

The SBA and EXIM Bank export working capital programs can be used to finance the issuance of standby Letters of Credit when required as bid or performance bonds. This will free up cash for production purposes as the collateral required is only 25% of the Standby Letter of Credit amount.

I need financing to establish an overseas operation, a joint-venture. Can you help me?

SBA is not allowed to finance facilities outside the United States, but the Overseas Private Investment Corporation (OPIC) can help. There are several programs to help finance and insure your investment overseas if made in a developing country. More information is available at <http://www.opic.gov> or you can contact your Export Assistance Center for details.

I have a very small business and need a relatively small loan to expand my export sales. Are there any SBA programs that can help me?

Yes. Recognizing that more than two thirds of all exporters have fewer than 20 employees, the SBA has implemented the *Export Express* program. *Export Express* is an expedited loan program for loan amounts of less than \$250,000. Lenders who participate in this program receive SBA approval in less than 36 hours. *Export Express* Loan proceeds can be used for any purpose that will enable the business to sustain or expand their export activity.

What kind of technical assistance does SBA offer to exporters?

The SBA is an active participant in a network of U.S. Export Assistance Centers, a joint initiative of the U.S. Department of Commerce, SBA and EXIM Bank. These Export Assistance Centers are an easy access point for all federal export development and finance programs. Exporters can get personal advice on export markets and market entry strategies from Department of Commerce Trade Specialists and answers to questions regarding export finance and SBA export loans from SBA Trade Finance professionals. For companies that are not export-ready, the online international trade resources linked to your SBA District Office home page is a good start: See: (<http://www.sba.gov/localresources/index.html>) Small Business Development Centers (SBDC) and SCORE (Counselors to America's Small Businesses) counselors provide a wide range of export assistance, particularly to new-to-export companies, including counseling, training, and managerial assistance. Links to these local resources also can be found on your SBA District Office's homepage.